

Full Cost Decision Memorandum: Strategic Science Investment (OT-02)

Issue:

How does the Center handle competition for strategic business areas, such as science applications?

Source / reference:

LaRC Office of the Chief Financial Officer (OCFO)

Background:

LaRC plans to establish a new mechanism to support long-term strategic investments in critical Agency mission areas. Simply stated, LaRC plans to support focused investments in key research areas to cultivate optimum long-term Agency mission performance. This document highlights a LaRC approach/mechanism to implement a new strategic investment process. The process is designed to support focused investments in key research areas to cultivate optimum long-term Agency mission performance within a highly competitive environment. The strategic investments are not only expected to optimize long-term Agency mission performance but also to help LaRC diversify and strengthen the Center's future business base

Options/Discussion:

Most of the funding in the Agency Science Enterprises is awarded on a competitive basis. In that regard, 85% of the recent work at LaRC in the Earth Science area was awarded on a competitive basis. LaRC must remain competitive (both technically and financially) to optimally support long-term Agency research endeavors and to symbiotically strengthen the Center's related research instrument capabilities. To help ensure the Center maintains a competitive position and a future capability, LaRC plans to establish/implement an investment strategy related to science research endeavors.

In that regard, the Center is establishing strategic investment funds that may be used by the Earth and Space Science Director. The strategic science investment funding is initially being established at \$1M per year. The funding size and use will be periodically reevaluated to ensure appropriateness and effectiveness. The Earth and Space Science Director is required to report on the use of the investment funding and the related results. The Strategic Science Research investment funding is being established in the Center General and Administrative (G&A) Investment Account.

(The Investment Account includes funding for several areas: Reserves, Transition Labor, Process Improvement, Core Competency, Independent Research & Development (IR&D) and Bid and Proposal (B&P) activities. The IR&D area includes/will include Creativity and Innovation (C&I), Jump Start and Strategic Science Research investments.)

Decision/Approach:

The following steps will be followed in using the Strategic Science Research investment funding.

1. Center cost estimates will use established Center rates and procedures and include the Full Costs of all competitive science research proposals.

2. Proposing officials are expected to use the Center's Estimated Price Report (EPR) procedures and practices or a similar system to document estimated costs and actions with respect to planned cost offsets.
3. The Earth and Space Science Director will specify proposals that may apply strategic offsets.
4. The reduced or effective proposal price (full cost minus the planned strategic offset) can be used in the competitive bidding process.
5. The amount of the offset shall not exceed 25% of civil service salaries and related service costs (individually i.e. for each civil servant and/or in total) associated with the competitive proposal. The 25% is being established to help ensure that LaRC will be financially competitive with other organizations that have similar effective proposal prices because of organizational size and/or similar strategic investment practices. The level of such strategic investments will be periodically reevaluated to ensure optimum Agency strategic benefits.
6. After proposals are selected, the strategic cost offset will be implemented through normal financial practices. Civil service labor will be charged to the competitively awarded activity and related service costs will be assigned or allocated to the activity. In these circumstances, however, because the Center, through the Earth and Space Science Director, has determined that the noted activities are strategically imperative to the Center, typical labor charging practices can be modified. In these circumstances, while an individual is working on the noted competitively awarded activities the individual is also concurrently achieving critical Center strategic imperatives. As a consequence, in these limited and specific circumstances, such individuals can charge up to 25% of their activities to the Strategic Science Research investment funding and the remainder to the noted competitive activity. (The Earth and Space Science Director must monitor and control the use of the Strategic Science Research funding to ensure that the fund use does not exceed the funded amount.)

Approved by LaRC CFO (Ken Winter) 10/1/04